

Message Text

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ACTION XMB-04

INFO OCT-01 AF-06 ISO-00 EB-07 COME-00 AGR-05 AID-05 /028 W

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R 251520Z APR 75

FM AMEMBASSY YAOUNDE

TO SECSTATE WASHDC 5671

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E.O.: 11652: N/A

TAGS: EINV, EFIN, EPAP, CM

SUBJ: GREAT AMERICAN INTERNATIONAL CORP. (GRATA): REQUEST FOR
PRELIMINARY EXIM COMMITMENT

REFS: A. STATE 76941

B. YAOUNDE A-85 OF SEPTEMBER 3, 1974

SUMMARY: PRELIMINARY INVESTIGATION REVEALS CONCEPT OF MECHANIZED RICE PROJECT AT MBANDJOCK IN CONCURRENCE WITH GURC AGRICULTURAL OBJECTIVES AND FEASIBLE ACCORDING TO IRAT AND OTHER KNOWLEDGE-ABLE SOURCES. GREAT AMERICAN INTERNATIONAL (GRATA) OFFICIALS IN CAMEROON FROM APRIL 2-16 WORKING OUT PROJECT DETAILS AND MANAGEMENT CONTRACT WITH MIN AGRICULTURE AND MIN PLAN. THESE MINISTRIES PRESENTLY STUDYING PROPOSALS SO DETAILS NOT RPT NOT YET WIDELY KNOWN. SEVERAL OTHER RICE PROJECTS BEING DEVELOPED BUT ON SMALL FARM OR SEMI-MECHANIZED BASIS WITH FRENCH AND IBRD ASSISTANCE. WHILE RICE IMPORTS HAVE DECLINED 45 PERCENT IN FOUR YEARS, TOTAL COST IMPORTED RICE HAS INCREASED 2.5 TIMES TO DOLS 10 MILLION, CAUSING GURC TO PLACE PRIORITY ON RECOGNIZED RICE-GROWING POTENTIAL. AT GURC REQUEST, GRATA PREPARED TO SEEK FRENCH OR BRITISH EXPORT CREDITS IF EXIM FINANCING NOT RPT NOT AVAILABLE.

1. AS EXPLAINED REF B, MIN AGRICULTURE SUPPORTS MECHANIZED RICE PROJECT AT MBANDJOCK AND HAS DEMONSTRATED FAITH IN GREAT AMERICAN (GRATA) TO PRESENT WORKABLE PROJECT.

2. WEALTH OF AGRICULTURAL DATA AVAILABLE ON MBANDJOCK BECAUSE OF EXISTING SUGAR CANE PLANTATION AND FAO-SPONSORED EXPERIMENTAL
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FARM. UPLAND RICE HAS BEEN GROWN ON EXPERIMENTAL FARM AND FOUND

WELL-SUITED. RAINFALL AND SOIL CONDITIONS ALSO PROVEN TO BE FAVORABLE. RAINFALL CONCENTRATED IN TWO DISTINGUISHABLE PERIODS, BUT INTERVAL CAN BE SHORT AS FOUR WEEKS, MAKING HIGH DEGREE OF MECHANIZATION NECESSARY TO BENEFIT FROM DOUBLE GROWING SEASON.

3. HEAD OF IRAT TEMPORARILY ABSENT BUT DISCUSSION WITH ASSISTANT DIRECTOR BROUGHT OUT NO RPT NO PROBLEMS WITH RICE PROJECT IN THEORY. GRATA DETAILED PROPOSALS ONLY JUST PRESENTED TO MIN AGRICULTURE AND MIN PLAN SO IRAT DOES NOT RPT NOT KNOW PARTICULARS BUT VOUCHES FOR CONCEPT AND GOOD RESULTS WITH HEARTY 63-83 RICE VARIETY.

4. MBANDJOCK, LOCATED 60 MILES NORTHEAST OF YAOUNDE ON TRANS-CAMEROON RAILROAD, IS RAPIDLY BECOMING AGRO-INDUSTRIAL CENTER BECAUSE OF GOOD TRANSPORT, LAND AVAILABILITY AND LOW POPULATION DENSITY. ONLY PROBLEM WITH SITE APPEARS TO BE CONSIDERABLE NUMBER OF TERMITE HILLS WHICH WILL REQUIRE SPECIAL CLEARING PREPARATIONS BUT CAN EASILY BE HANDLED.

5. LOCAL TRAINED AGRICULTURAL SPECIALISTS VERY LIMITED AND PROJECT WOULD PROBABLY HAVE TO RELY ON HIGH PROPORTION EXPATRIATE SPECIALISTS IN BEGINNING. GRATA FEASIBILITY STUDY MACHINERY OPERATORS WHICH ABSOLUTELY NECESSARY AND COULD PROBABLY BE DONE FAIRLY QUICKLY. NEIGHBORING SUGAR PLANTATION WHICH IS SEMI-MECHANIZED HAD TO BRING IN CONSIDERABLE LABOR FORCE FROM NORTH AND WEST CAMEROON. NUMBER OF EMPLOYEES PROPOSED BY GRATA CONSIDERABLY LESS AND PROBABLY WOULD NOT RPT NOT CAUSE GREAT RECRUITING PROBLEMS.

6. WHILE GRATA FEASIBILITY STUDY VERY COMPLETE ON EQUIPMENT AND PRODUCTION ESTIMATES, SEVERAL GAPS EXIST: (A) STUDIES APPARENTLY BASED ON INTERNATIONAL RICE PRICING SO RETURN PROJECTIONS FOR LOCAL SALES SKETCHY; (B) PROJECT SOCIAL INFRASTRUCTURE LIMITED TO HOUSING AND MESS FACILITIES. HEALTH FACILITY AND SCHOOL BUILDING, BOTH FEATURES OF SUGAR PLANTATION, ARE NOT RPT NOT INCLUDED. QUITE POSSIBLE GURC WILL REQUIRE AT LEAST HEALTH FACILITY AND NURSE AT PLANT; (C) SALARY LEVEL OF EXPATRIATE STAFF SEEMS TO BE UNDERESTIMATED. TOP-GRADE FRENCH MANAGER COULD COMMAND ANNUAL SALARY OF 13 MILLION CFAF (DOLS 60,000).

7. PREVIOUSLY GRATA OFFICIAL QUINTANA CONFIDED THAT COMPANY WOULD LIMITED OFFICIAL USE

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SEEK TO DIMINISH DOLS 1 MILLION EQUITY COMMITMENT, FEARING BEING LOCKED INTO LOW RETURN ON INVESTMENT BECAUSE OF REGULATED INTERNAL RICE PRICE (SEE REF B). SAME OBJECTIONS NOT RPT NOT RECENTLY RAISED, PERHAPS BECAUSE EMPHASIS IS NOW BEING PLACED ON RICE EXPORT POTENTIAL. EMBASSY AGREES WITH GURC CRITERIA THAT GRATA EQUITY PARTICIPATION GOOD INSURANCE FOR MANAGERIAL PERFORMANCE.

8. PROPOSED MBANDJOCK PROJECT IS FOURTH LARGE-SCALE RICE VENTURE

BEING DEVELOPED. ONLY COMPARABLE COMMERCIAL VENTURE IS SEMRY IN EXTREME NORTH WHICH IS EXPANDING TO TOTAL 7,300 HECTARS (18,000 ACRES) UNDER TWO-SEASON CULTIVATION TO PRODUCE 25,000 METRIC TONS PADDY RICE OR 16,700 METRIC TONS POLISHED RICE. SEMRY USES MACHINERY FOR LAND PREPARATION BUT IS LABOR-INTENSIVE FOR PLANTING AND HARVESTING. EXPANSION PROJECT SPONSORED BY IBRD AND FRENCH CAISSE CENTRALE. FRENCH ALSO SPONSORING 11-12,000 HA. (27-30,000 ACRES) PEASANT RICE CULTIVATION PROJECTS IN MBO AND NOUN AREAS OF WESTERN CAMEROON. BECAUSE OF COMPLEXITY OF PUTTING SMALL SCALE FARMING INTO PRACTICE, LATTER PROJECTS PROGRESSING SLOWLY.

9. WHILE AGGREGATE RICE IMPORTS HAVE DECREASED FROM 31,879 METRIC TONS IN 1971 TO 18,540 METRIC TONS IN 1974, COST OF IMPORTED RICE HAS INCREASED BY 2.5 TIMES TO DOLS 10 MILLION IN 1974. LOCAL CONSUMPTION EXPECTED TO RISE TO 28,000 METRIC TONS BY 1976. DEMAND IN NEIGHBORING COUNTRIES ALSO ANTICIPATED TO INCREASE.

10. SEMRY USES ITALIAN AND FRENCH MILLING EQUIPMENT AND AMERICAN FIELD PREPARATION EQUIPMENT ON ITS SEMI-MECHANIZED RICE PROJECT. MBANDJOCK PROJECT WOULD PROBABLY ALSO HAVE TO USE AMERICAN FIELD PREPARATIONS EQUIPMENT, BUT MILLING AND AT LEAST SOME FARM MACHINERY COULD EASILY BE EUROPEAN DEPENDING ON FINANCING. GRATA OFFICIALS INDICATED PREFERENCE FOR AMERICAN EQUIPMENT AND STUDIES PREPARED ON THIS BASIS, BUT AT GURC REQUEST GRATA PREPARED TO SEEK FINANCING FROM UK OR FRANCE IF NECESSARY.

11. GRATA FEASIBILITY STUDY, MANAGEMENT CONTRACT AND OTHER ASPECTS OF PROJECT, I.E., FORMATION OF JOING CORPORATION, NOW UNDER STUDY IN MIN AGRICULTURE AND MIN PLAN. GRATA OFFICIALS SCHEDULED RETURN ABOUT MAY 5 TO CONTINUE NEGOTIATIONS. BEFORE LEAVING THEY HELD ENCOURAGING DISCUSSION WITH BIAO-CAMEROON DIRECTOR RE POSSIBILITY OBTAINING DOLS 4 MILLION LOCAL LOAN. BIAO MANAGER OP-LIMITED OFFICIAL USE

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TIMISTIC SOMETHING COULD BE PUT TOGETHER, ESPECIALLY IF PROJECT ELIGIBLE FOR CENTRAL BANK 10-YEAR SPECIAL REDISCOUNT FACILITY OF FOUR PERCENT FOR DEVELOPMENT PROJECTS.
MOORE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RICE, AGRICULTURAL PRODUCTION, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 25 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975YAOUND01400
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750146-0502
From: YAOUNDE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750414/aaaaangm.tel
Line Count: 158
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 76941
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 21 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 AUG 2003 by BoyleJA>; APPROVED <09 DEC 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GREAT AMERICAN INTERNATIONAL CORP. (GRATA): REQUEST FOR PRELIMINARY EXIM COMMITMENT
TAGS: EINV, EFIN, EPAP, CM, US, XMB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006